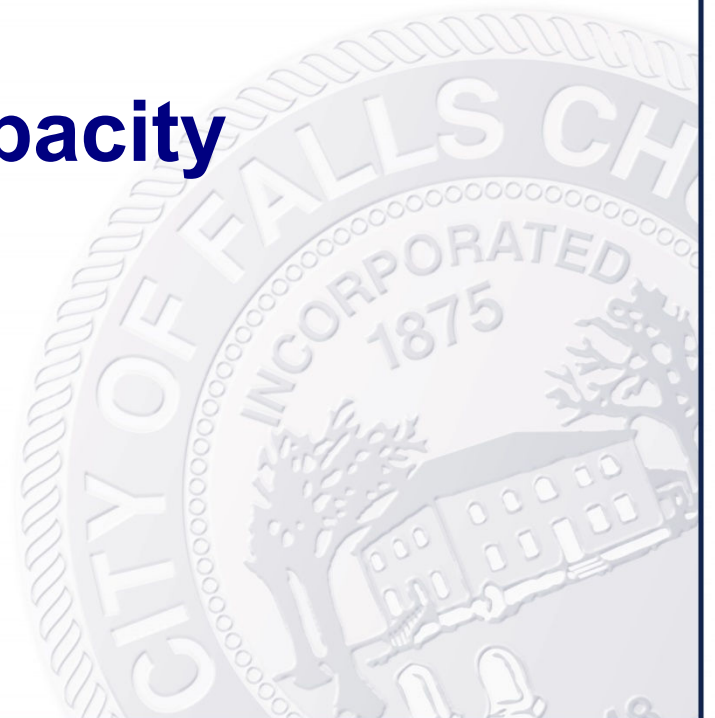


FY2016 Preliminary Forecasts & Capital Funding Capacity

December 1, 2014



FY2016 Budget Planning Discussion

- **FY2016 Preliminary Projections**
 - Revenues
 - Expenditures
- **Capital Funding Capacity Analysis**
- **Update on Capital Projects**
- **Budget Calendar & Community Input**
- **Summary & Key Issues to be resolved by April CIP Adoption**

FY2016 Operating Budget Summary

- **Revenue Growth:**
 - 4% to 5% Projected
 - Residential assessed value growth principal source of new revenue
- **Expenditure Needs:**
 - \$1.3 Million to cover FY15 deficit
 - \$840,000 for new debt service
 - 1.1% to 2.4% expenditure growth for schools and general government, with no change to tax rates.

Statewide Economic Numbers

- **Virginia ranked 48th in 2013 economic growth (.06% growth in GSP)***
- **State Budget:**
 - 1.6% decline in revenues for FY14, compared to FY13**
 - “Local Aid to the Commonwealth”
 - Falls Church \$33,000 payment back to state this fall.
- **Sequestration is cause for Virginia lagging the US recovery**

*Source: Stephen Fuller, presentation to Virginia Senate Finance Committee November 20

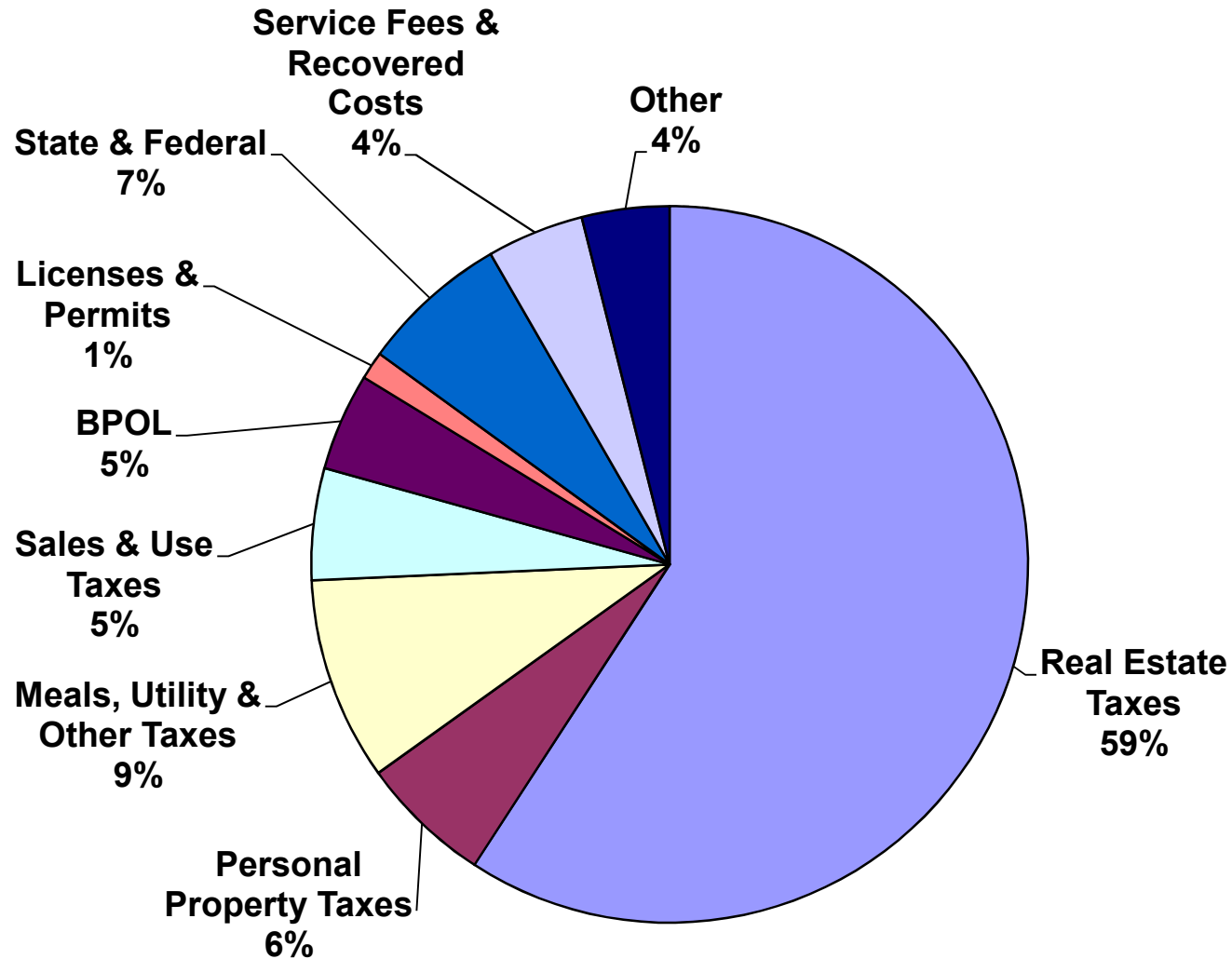
[http://sfc.virginia.gov/pdf/retreat/2014%20Staunton/No1_Annual%20VA%20Senate%20Conference%20Steve%20Fuller%20\(4\).pdf](http://sfc.virginia.gov/pdf/retreat/2014%20Staunton/No1_Annual%20VA%20Senate%20Conference%20Steve%20Fuller%20(4).pdf)

**Source: Senate Finance Committee Staff Report

http://sfc.virginia.gov/pdf/retreat/2014%20Staunton/No2a_2014%20Retreat%20Revenue%20Outlook%20slide%20version%20.pdf

City Revenue Sources

FY2015



Real Estate AV Growth Projections in Region

- **Arlington: 3%**
 - 6 to 8% Residential
 - Commercial flat
- **Alexandria: 2.3%**
- **Fairfax County: 2 to 3%**
- **Falls Church: 4% to 5%**

Real Estate Assessed Value Growth City of Falls Church (preliminary projection)

- **Residential: 6% to 8% overall**
- **Commercial: flat overall**
- **New Construction:**
 - **\$30 to \$60 million in value**
- **Overall: 4% to 5% AV growth**

RE Tax Rates in Region

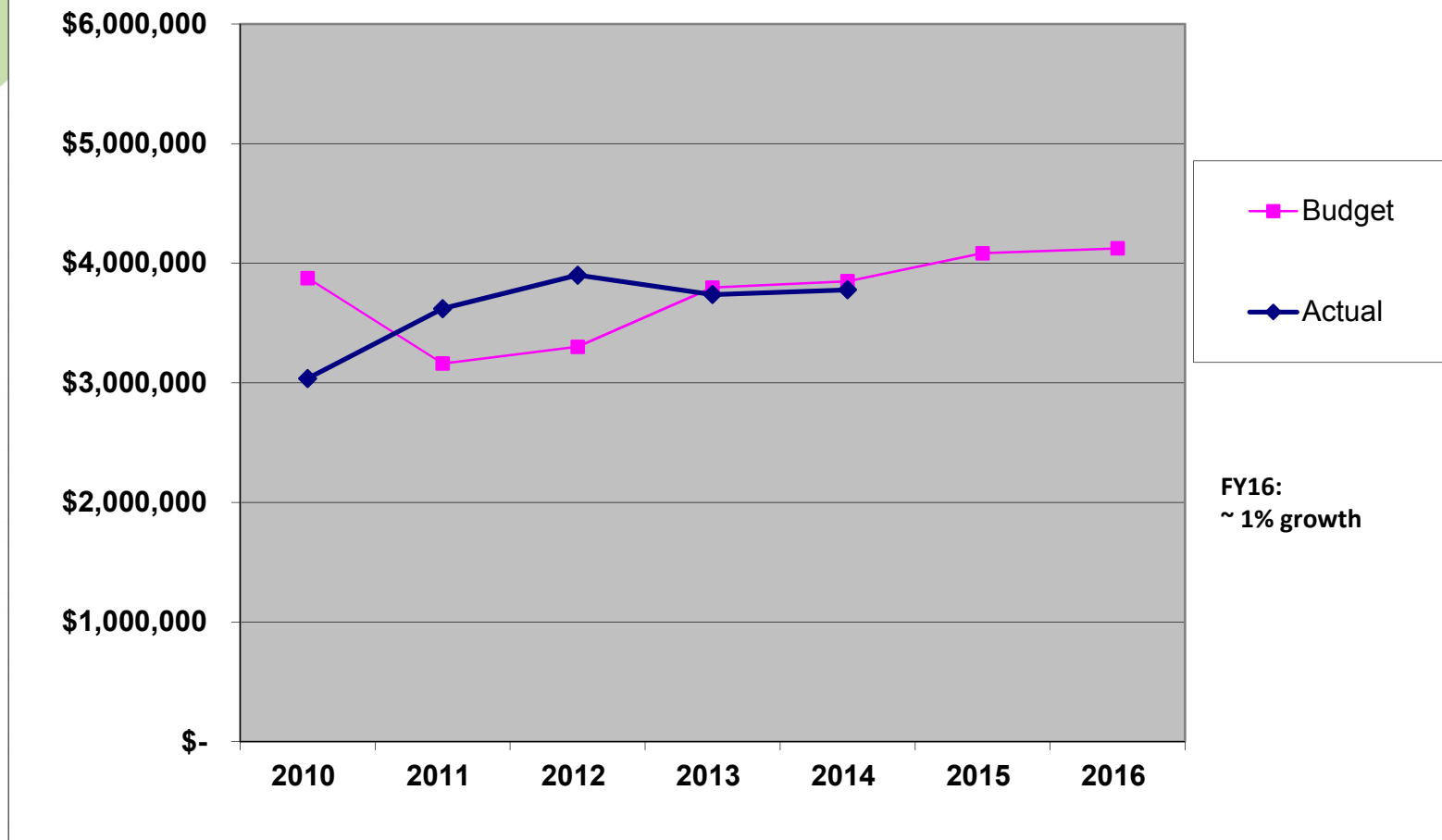
2014

Real Estate Tax Rates	TY2014	Extras	Comparable Tax Rate
Manassas Park City	\$ 1.650		\$ 1.650
Purcellville Town	1.415		1.415
Leesburg Town	1.338		1.338
Manassas City	1.368		1.368
Herndon Town	1.355		1.355
Vienna Town	1.319		1.319
Falls Church City	1.305		1.305
Prince William Co	1.223		1.223
Loudoun Co	1.155	0.050	1.205
Fairfax County	1.090	0.108	1.199
Fairfax City	1.040	0.010	1.050
Alexandria City	1.043	0.063	1.106
Arlington Co	0.996	0.058	1.054
AVERAGE	1.25	0.05	1.28

Sale Taxes

- **FY15 Budget: 5% growth assumption**
- **1st Quarter: .5% growth over 2013**
- **FY16 Budget Projection: ~ 1% growth**

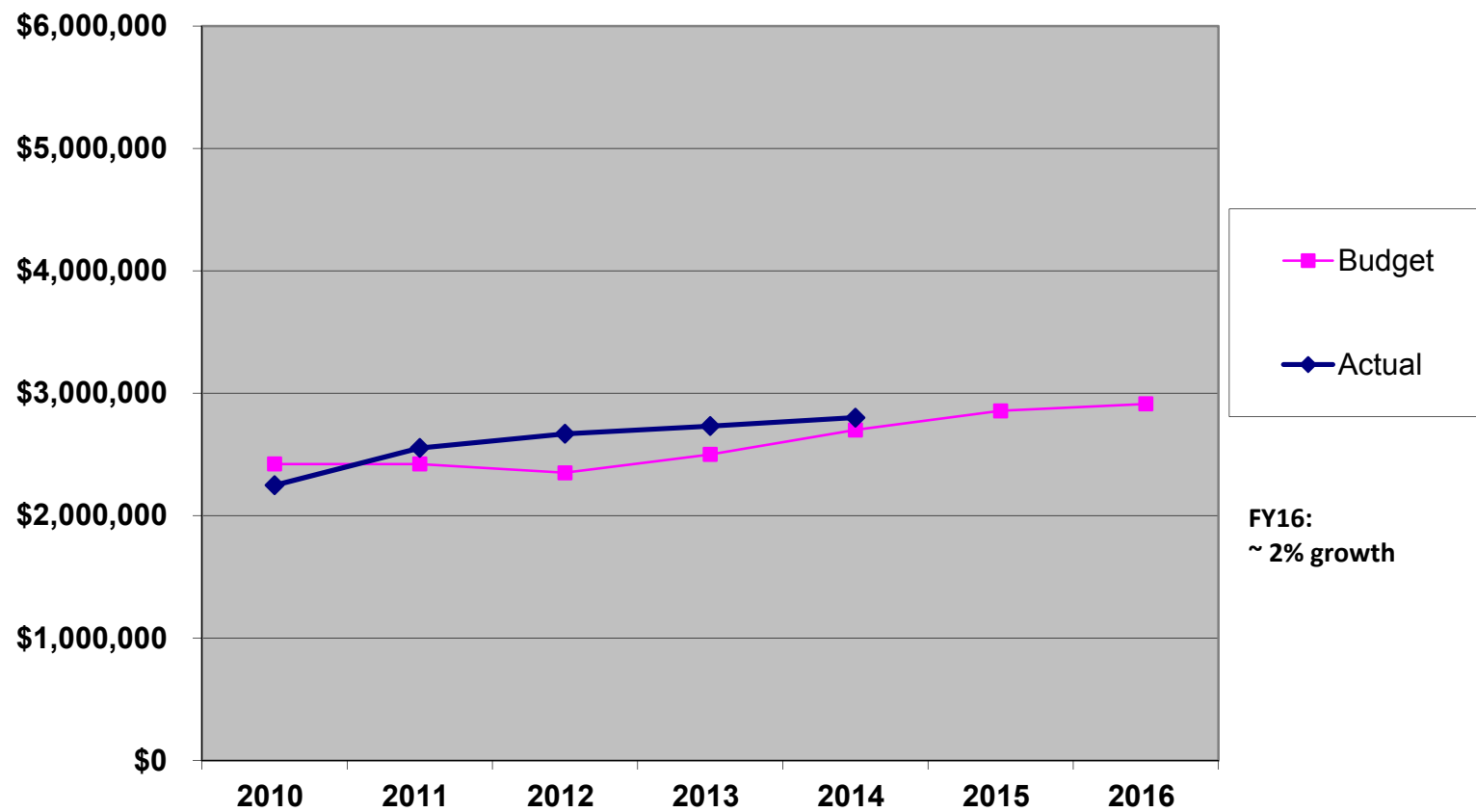
Sales Tax



Meals Taxes

- **FY15 Budget: 3% growth**
- **1st Quarter: 2% growth over 2013**
- **FY16 Budget Projection: ~ 2% growth**

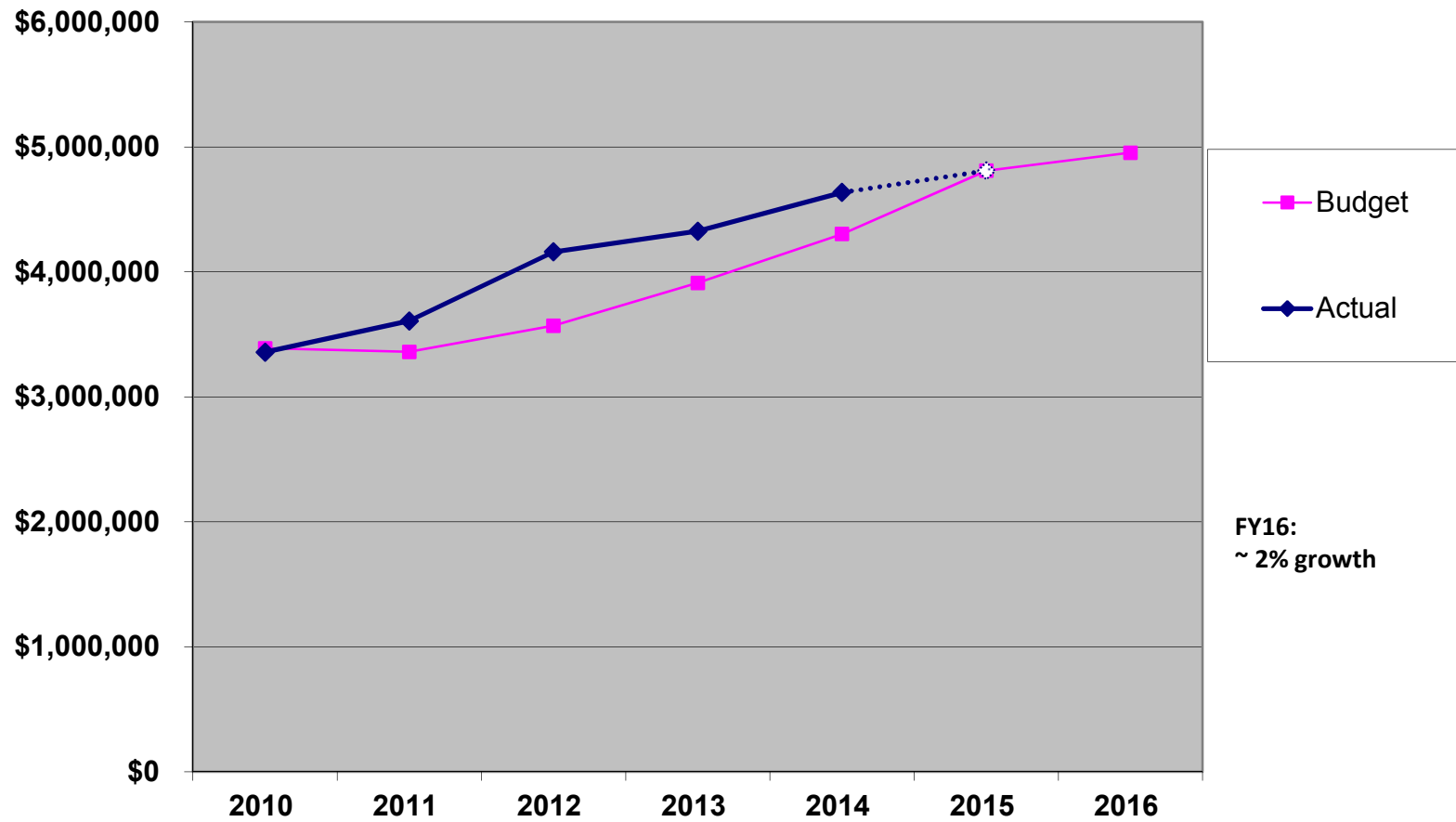
Meals Tax



Personal Property

- **FY15 Budget:** **\$4.6 million**
- **FY15 Actuals To Date:** **\$4.4 million**
- **% Change to FY14 Actuals:** **(1%)**
- **FY16 Projection:** **~ 2% growth**

Personal Property Tax



Overall Revenue Forecast for FY2016

- **4% to 5% overall growth in Revenues**
- **RE Assessed Value: 4% to 5% growth**
Most RE Growth is in residential sector
 - **New Construction**
 - **Commercial AV is flat regionally and in City**
- **All other Revenues: 2% - 3% growth**

FY 16 Expenditure Limits

5% Revenue Growth	\$4,100,000
FY2015 Operating Deficit	(1,387,000)
Increase in Debt Service	<u>(840,000)</u>
Net Available Funds	<u>1,873,000</u>
% Growth for Expenditures*	2.4%

* Schools and General Government

FY 16 Expenditure Limits

4% Revenue Growth	\$3,100,000
FY2015 Operating Deficit	(1,387,000)
Increase in Debt Service	<u>(840,000)</u>
Net Available New Funds	<u>873,000</u>
Percentage Growth for Expenditures	1.1%

* Schools and General Government

Recent History of Operating Expenditure Growth

	7-YR AVE	5-YR AVE	3-YR AVE
General Government	3.0%	1.5%	5.1%
School Transfer	3.1%	2.8%	6.7%

FY16 Expenditure growth between 1.1% and 2.4% assuming no change to tax rates.

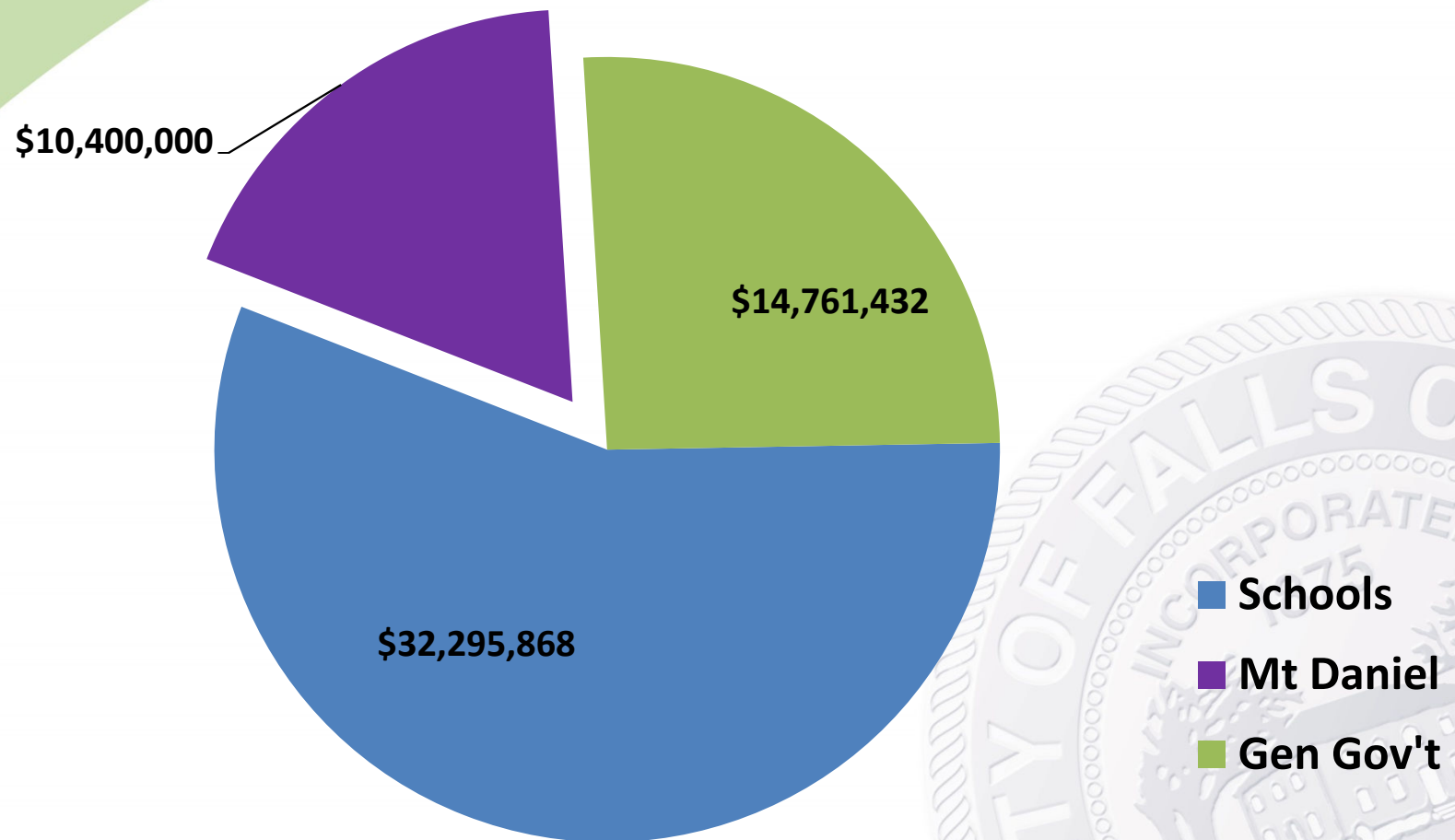
Capital Funding Capacity

- **Current and Planned Debt**
 - Debt amounts
 - Debt service projections
- **Capital Reserves**
- **Fund Balances**



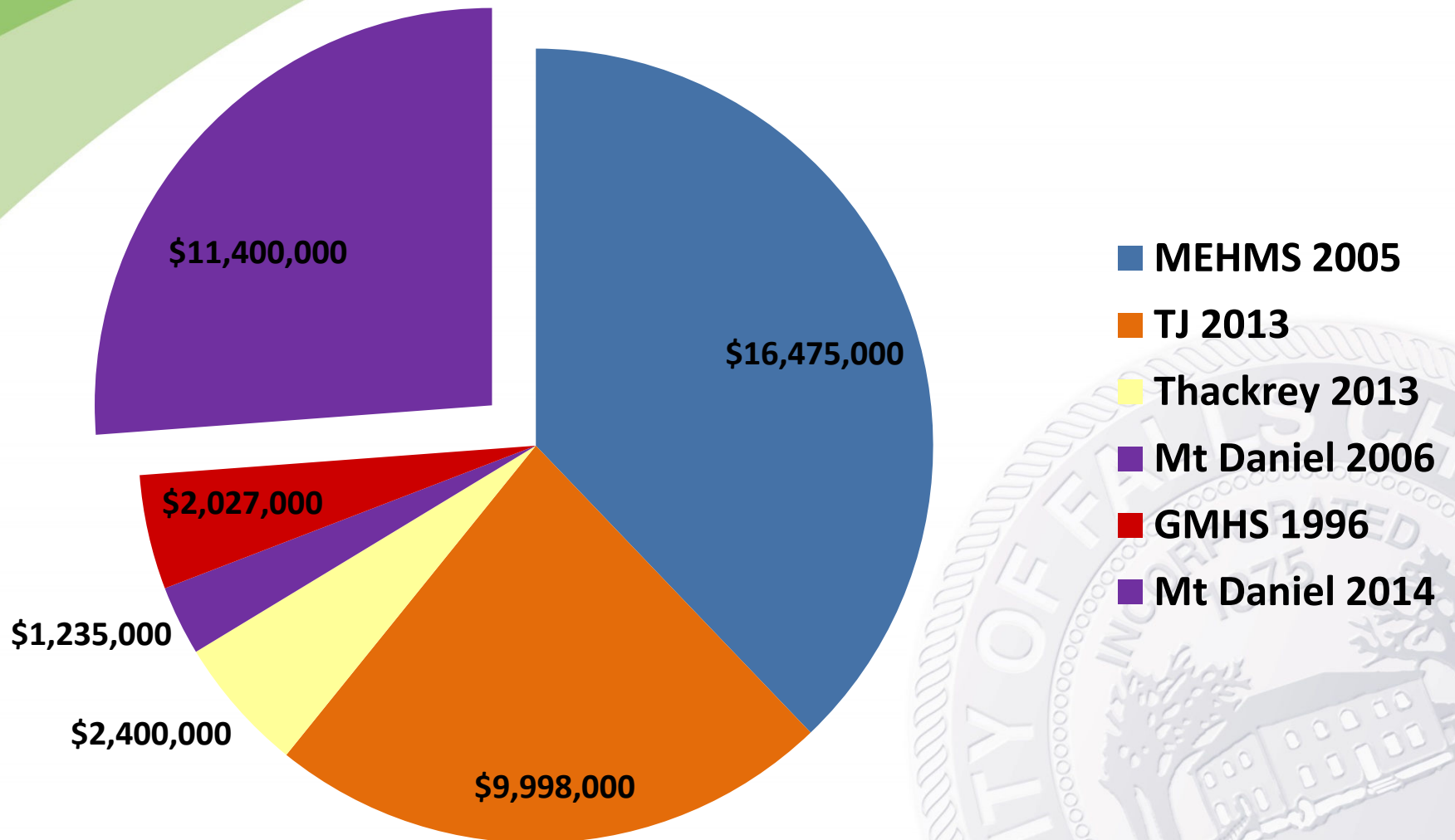
Outstanding Tax Supported Debt

January, 2015



School Debt by Facility

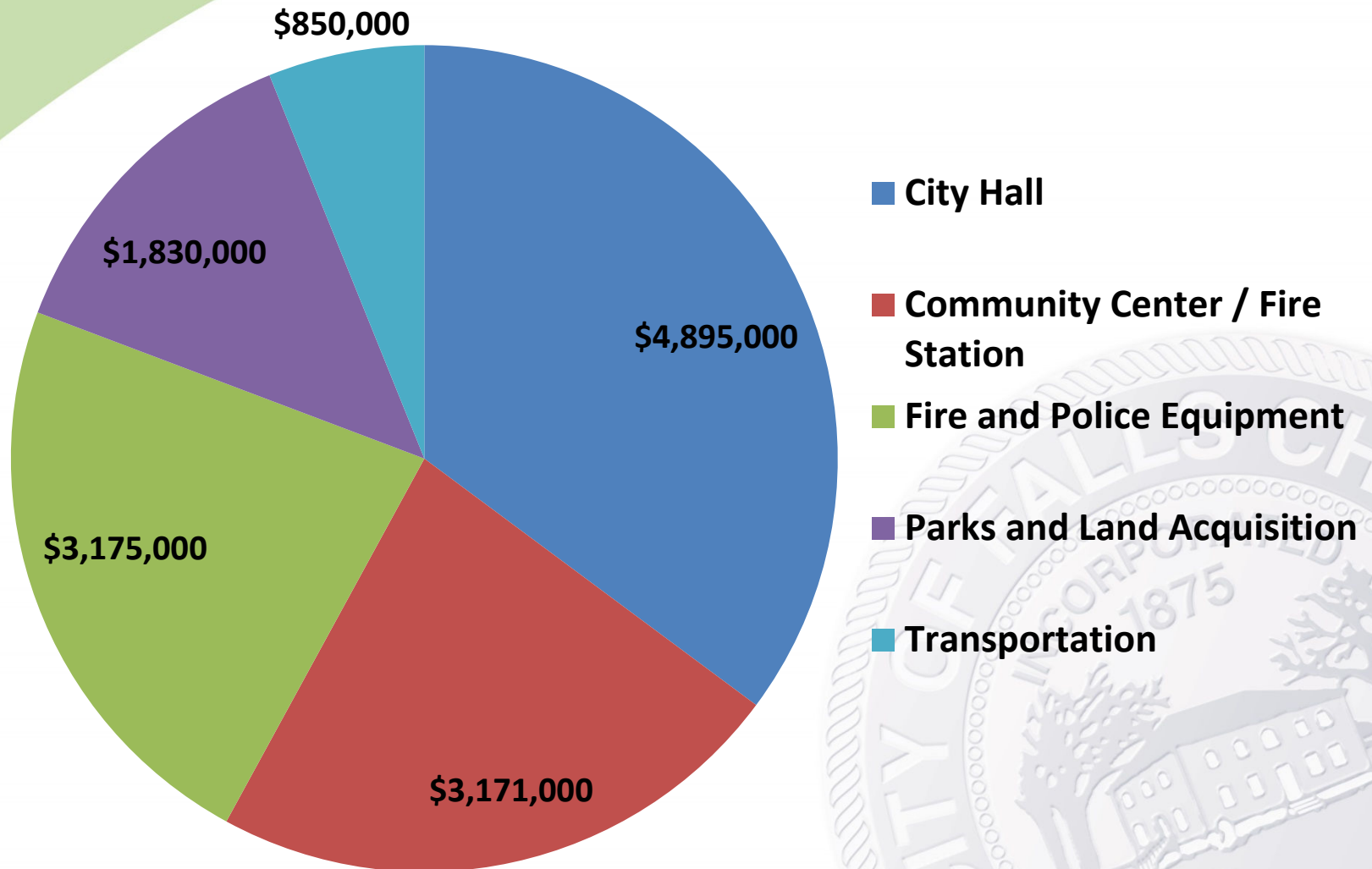
January 2015



December 1, 2014

General Gov't Tax Supported Debt

January 2015

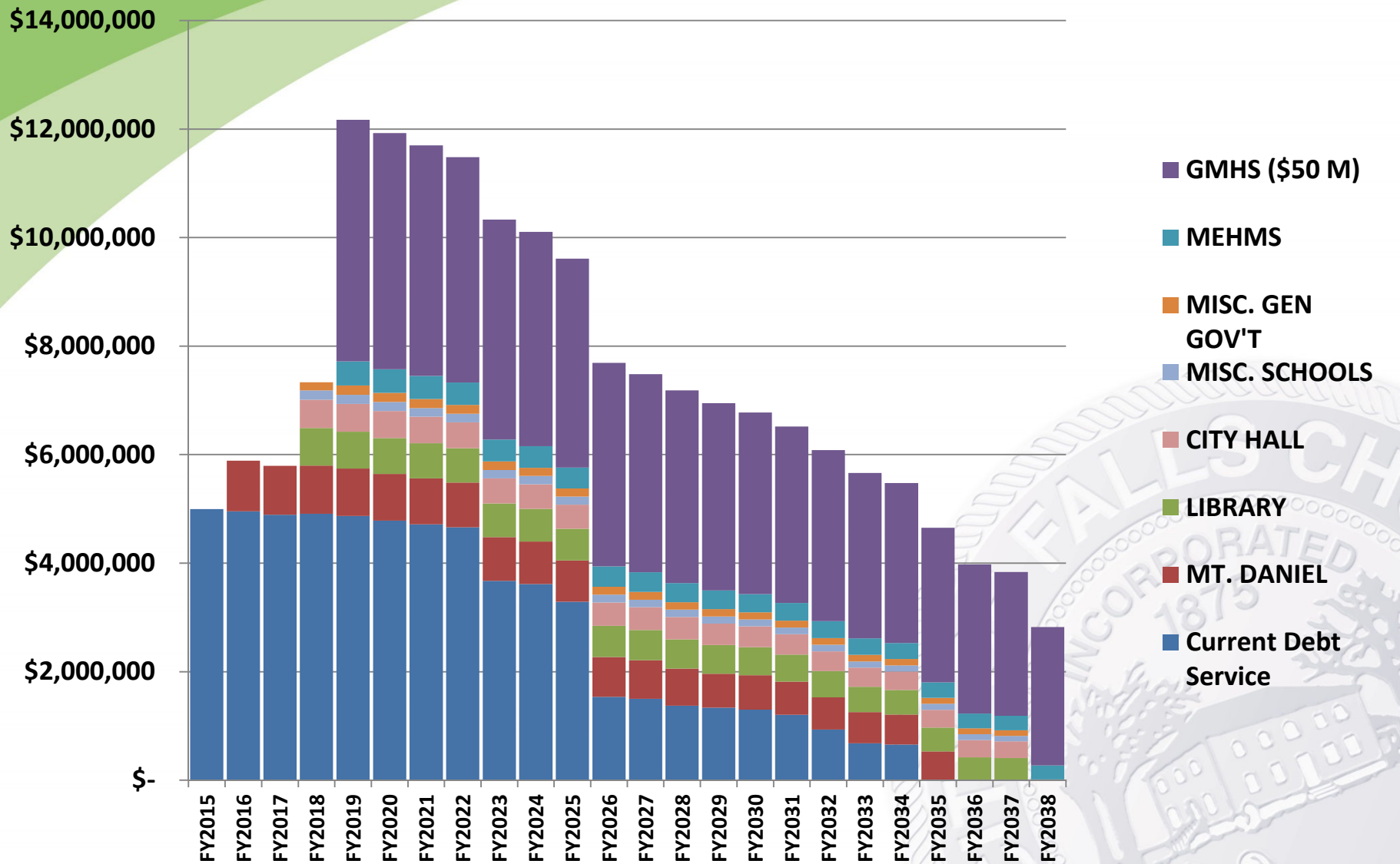


December 1, 2014

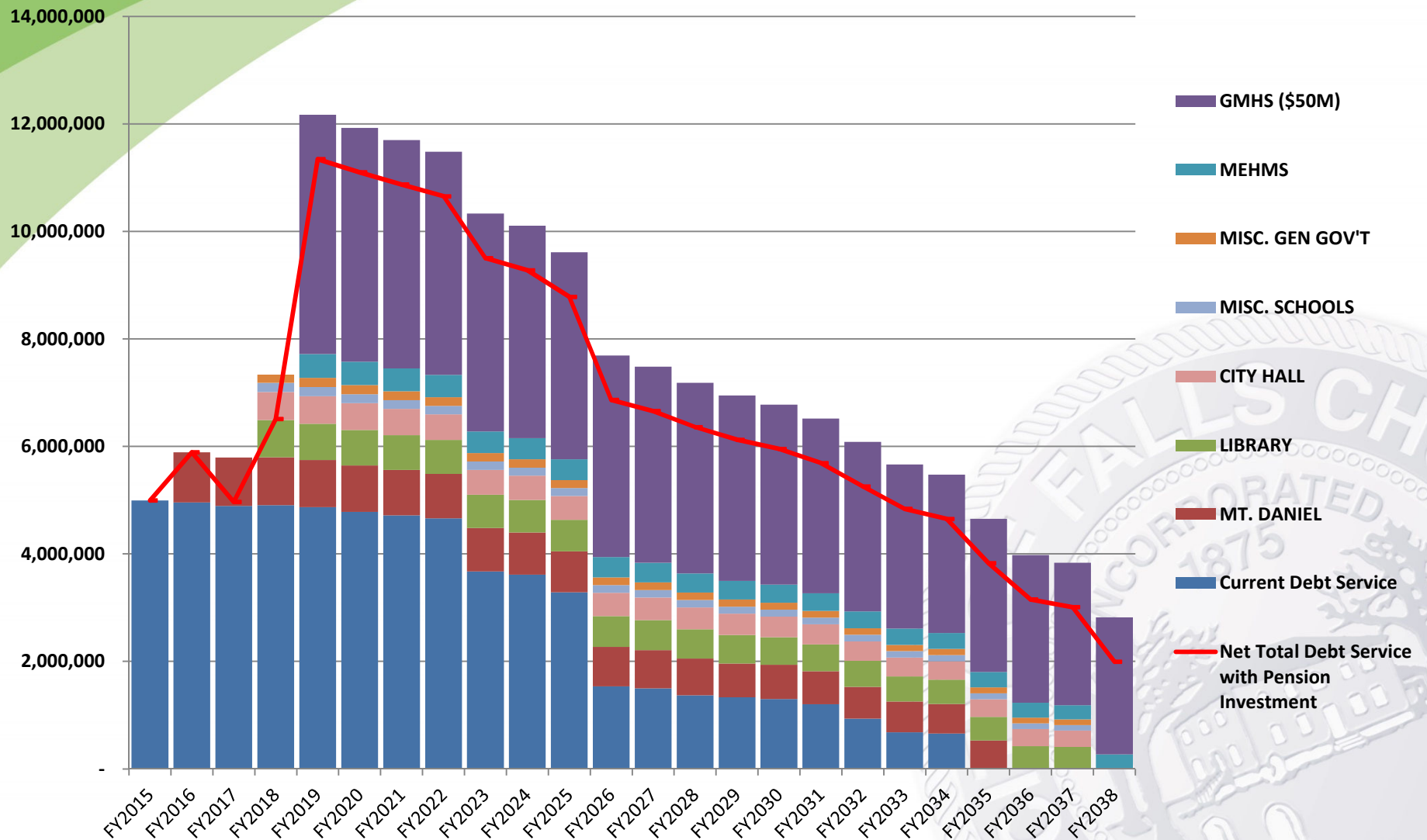
Adopted CIP

- **\$138 Million of planned general fund supported capital improvements**
 - \$ 33 Million, not including high school and middle school projects
- **ULI TAP projects ~50% of high school could be paid for through economic development of the 10 acres**

Annual Debt Service Projection



Annual Debt Service Projection



December 1, 2014

Net Recurring Revenue from Economic Development: FY17 and onward

Harris Teeter Project: \$1,360,000

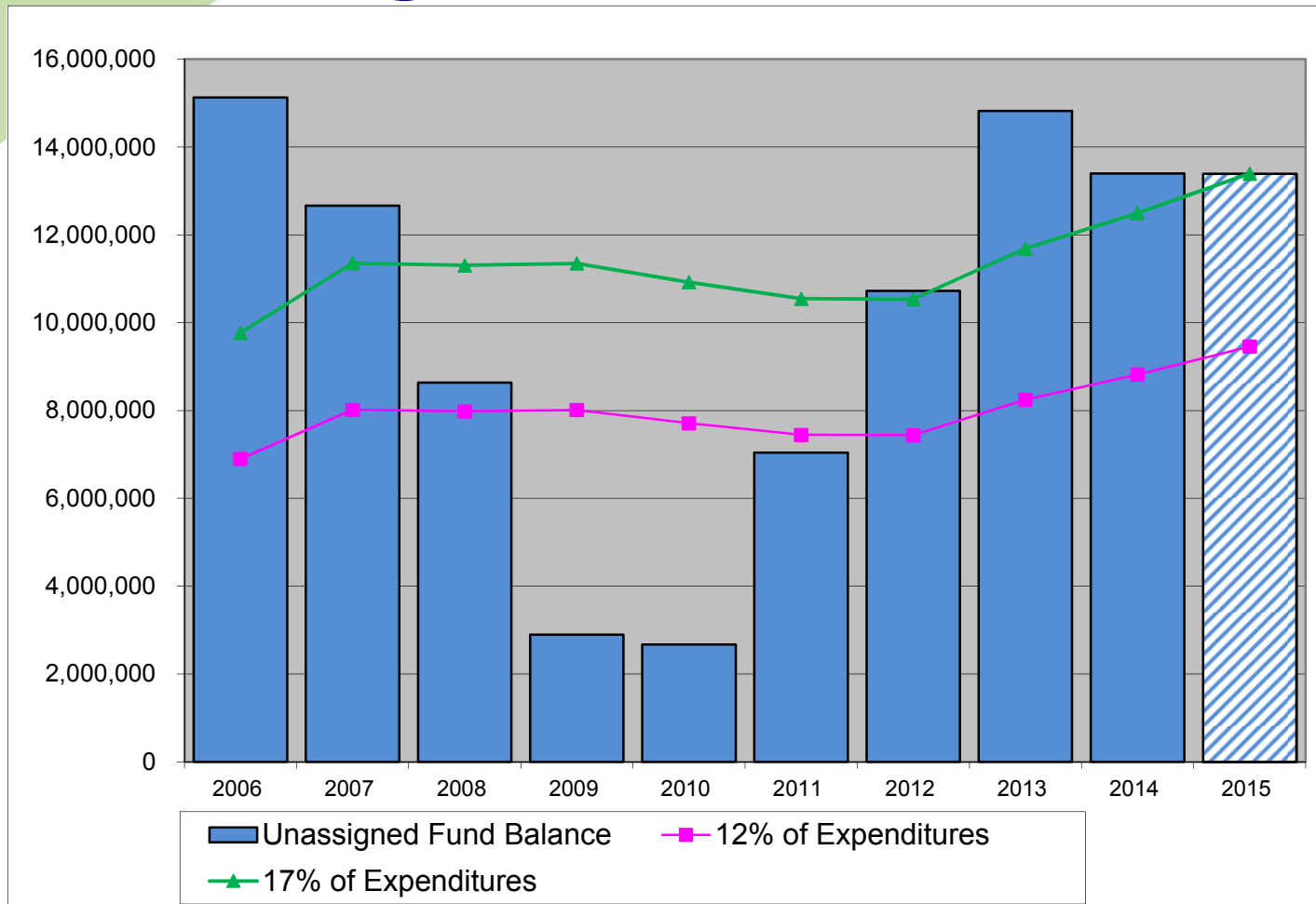
Lincoln Project: 960,000

Total Net Revenue: \$2,320,000

Note: developer proffers for these projects not shown here, and are planned to be used for Mount Daniel School.

Projected Net Fiscal Impact after accounting for direct educational and general government service costs.

Unassigned Fund Balance



*These amounts do not include water system sale proceeds.

December 1, 2014

Capital Reserves

- **Total: \$12.9 Million**
- **Water Sale Proceeds: \$11.3 Million**
 - \$9.6 Million Long Term Capital (85%)
 - \$1.7 Million Immediate Capital (15%)
- **FY15 Budget Amendments**
 - \$1.6 Million year end balance

Recurring “Pay As You Go” Needs

	FY2015	FY2016	FY2017	FY2018	FY2019
Capital Reserve Beginning Balance	\$ 3,352,000	\$ 1,600,000	-	-	-
Transfers for General Capital Projects	(952,000)	(600,000)	(650,000)	(700,000)	(700,000)
Transfers for Special Transportation	(800,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Total Uses	(1,752,000)	(1,600,000)	(1,650,000)	(1,700,000)	(1,700,000)
Capital Reserve Balance Ending Balance	1,600,000	-	-	-	-
Deficit	\$ -	-	(1,650,000)	(1,700,000)	(1,700,000)

These reserves do not include \$11.3 million of water sale proceeds

Capital Capacity Challenges

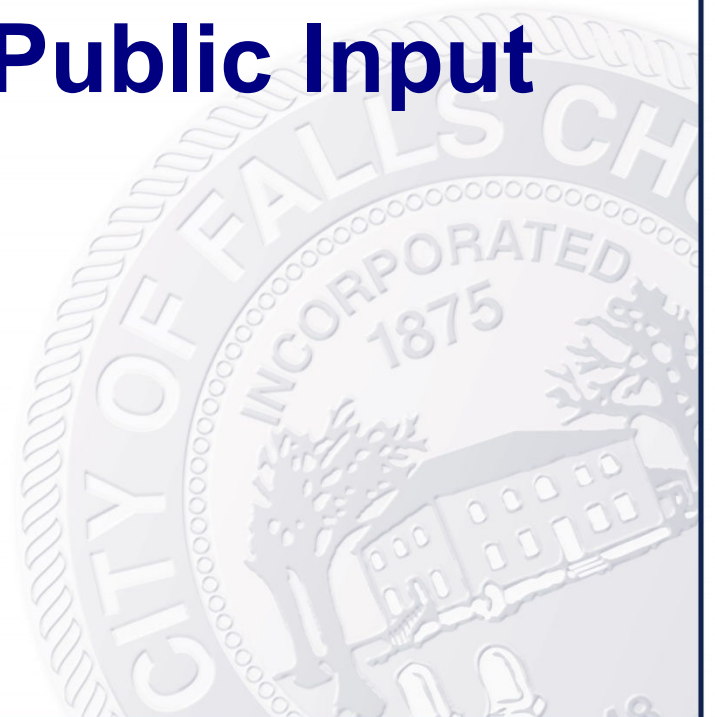
- **The City has significant capital needs**
- **FY15 deficit must be addressed**
- **If operating budgets are allowed to grow faster than economic growth, financial capacity for capital projects is diminished**

Capital Capacity Strengths

- **AAA / AAA / Aa+ ratings are indication of strength:**
 - ✓ **Fund balance at policy target**
 - ✓ **Strong Capital Reserves**
 - ✓ **Fully funded pensions**
 - ✓ **Significant new economic development in the City**
 - ✓ **Record of strong financial management by City Council and staff**



Capital Projects & a Budget Process for Public Input



CIP Development Process

- **Planning Commission Schedule**
 - January 20th: CIP presentation
 - February: 2 work sessions, 2 public hearings, 1 community input session
 - February 17th: CIP recommendation adoption
- **Council Schedule**
 - March 9: FY16 Budget and CIP presentation
 - March-April: work sessions, town halls and public hearings
 - April 27: budget and CIP adoption

CIP Development Process

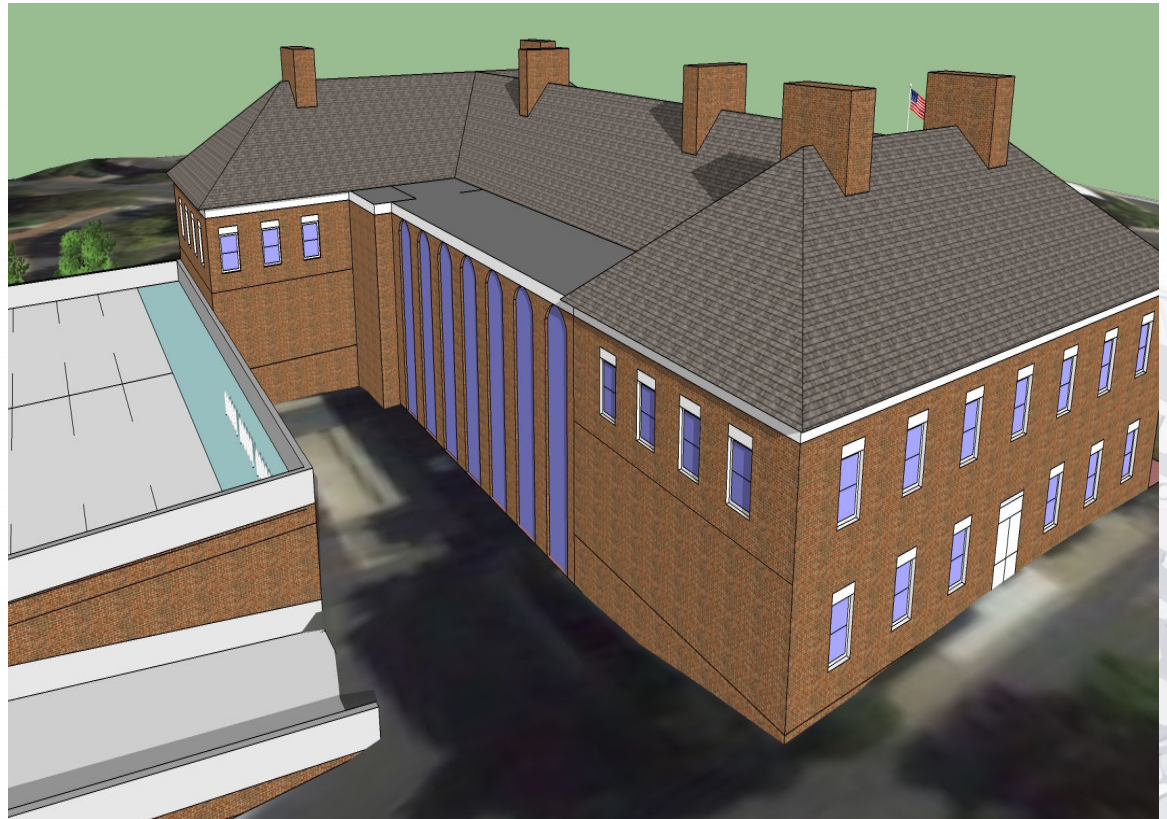
- **Enhance Community Input**
 - **Coordinate with boards/commissions and community groups**
 - **Enhance CIP website presence**
 - **Project descriptions**
 - **Mapped locations**
 - **Planning Commission Open House & Public Input Session in early February**
 - **News articles, press releases, social media**
 - **Community-wide survey**

CIP Projects Update

City Hall/Public Safety Improvements

Taskforce recommendations:

- Parking Deck: \$750 k
- HVAC: \$1.25 M
- Interior Renovation: \$1.75 M
- North Addition: \$1.50 M

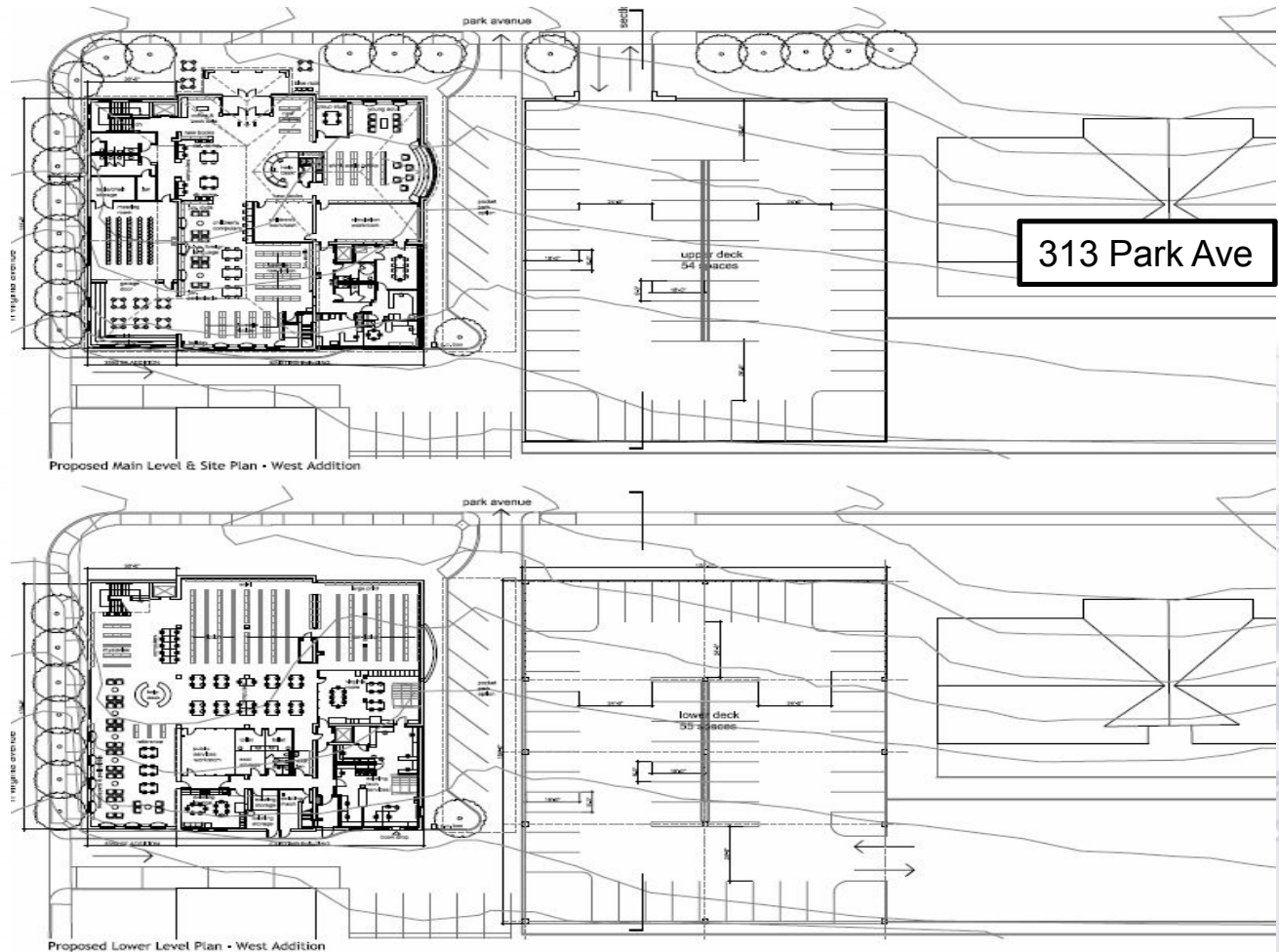


CIP Projects Update

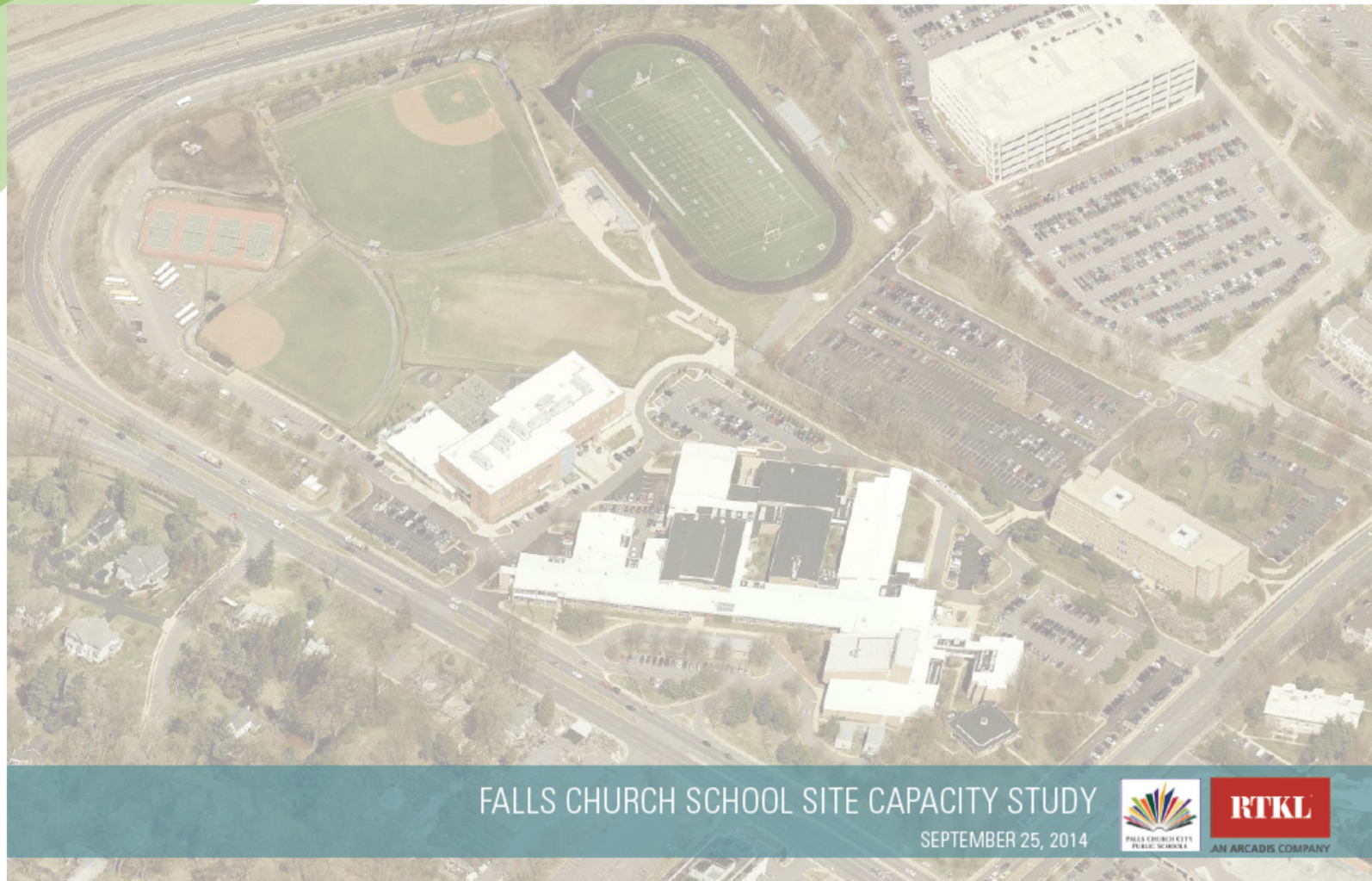
Mary Riley Styles Library & Parking

**Expansion &
Renovation: \$8M**

**Shared Parking
deck:
(55 new spaces) \$3M**



GMHS Campus



FALLS CHURCH SCHOOL SITE CAPACITY STUDY
SEPTEMBER 25, 2014



December 2, 2014

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CIP Projects Updates

- **Parks and Fields**
 - Court restoration: underway
 - West End park: underway
 - Synthetic Turf Field- proposed for FY16, \$450k
 - Track: proposed for FY16 \$160K

CIP Projects Update

- **Transportation**
 - **Strategic planning**
 - **Maximizing grant resources/ local match**
 - **Projects**
 - **Bridges**
 - **Bus Shelters**
 - **South Washington Streetscape and transit plaza**
 - **Roosevelt and Roosevelt**
 - **Pedestrian Access**

CIP Key Policy Decisions

- **Adopt a Capital Improvement Program that:**
 - meets the City's vision for the future
 - is prioritized according to needs
 - is achievable
- **Determine the use of \$11.3 M in Water Sale Proceeds**
- **Address recurring “Pay As You Go” costs**
 - Annual expenditure \$1.6M
 - Capital reserves will be depleted
 - Dedicated Transportation C&I Equivalent funding
- **Establish fleet reserve fund**
- **Establish facility reserve fund**
 - Policy calls for 5% of fixed assets / \$375k per year

Summary

- **1.1% to 2.4% FY16 Operating Budget Growth**
 - Assuming no change in rates
- **\$138 M in capital needs over five years**
- **City is in a relatively strong financial position to meet capital needs**
- **Will need significant community discussion on a shared vision for capital projects and how to achieve that vision**



1. 30% Commercial Parcel

2. Construction and Operational Phasing Considerations

3. Consolidated School

4. School 6/3 Floors

5. Tennis and Pool in Deck

6. 600 Parking Spaces

More expensive deck to accommodate athletic facilities.
Deck can increase to support university site parking requirement

2

Option 1-Land Use Diagram

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Falls Church School Site Capacity Study



December 2, 2014

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December 2, 2014